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C O N F I D E N T I A L SECTION 01 OF 03 SARAJEVO 000654

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SUBJECT: BOSNIA - PUBLIC ADMINISTRATION REFORM: THE FORGOTTEN SAA CONDITION

REF: A) 07 SARAJEVO 2669 B) 07 SARAJEVO 2414

Classified By: Michael J. Murphy for Reasons 1.4 (B) and (D)

Summary

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**¶11.** (C) Public administration reform, an initiative intended to remedy the systemic dysfunction crippling Bosnia's state institutions, and one of four requirements for signing a Stabilization and Association Agreement (SAA) with the EU, has stalled. Although the EU has determined that SAA conditionalities have been met, little meaningful reform has been realized. The reform process continues to receive minimal support from Bosnian political leaders and is witnessing a rollback as the result of the Republika Srpska campaign to reclaim state competencies. This lack of progress has resulted in the preservation of a status quo under which state level institutions are kept alive by the international community and the Office of the High Representative. The current dysfunctional system has been perpetuated by a near complete disinterest in state institutions by all sectors of Bosnia's political elites. By declaring SAA conditionalities met, the EU has abdicated one of the few opportunities to leverage meaningful reform of what has been described as Bosnia's "virtual statehood." End Summary.

PAR at a Glance

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**¶12.** (U) Public Administration Reform (PAR) continues to garner little attention from politicians, the media, or the general public even though it was one of four EU Stabilization Association Agreement (SAA) conditions for Bosnia and codified in the European Partnership with Bosnia (Ref A). The intent behind EU SAA conditionalities was for Bosnia to demonstrate that it is working toward creating a public administration system capable of adopting and implementing EU *acquis communautaire*. However, given its unwieldy system of multiple governments and lack of harmonized policies, there are no prospects for the near term realization of the Bosnian government's stated goal of a public administration system that is "more effective, efficient, and accountable; that will serve citizens better for less money; and that will operate with transparent and open procedures, while meeting all conditions set by European Integration."

Background

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**¶3.** (U) The state level government has ostensibly been working to reform Bosnia's cumbersome public administration system for almost five years. The initiative was formally launched in March 2003 when former Prime Minister Adnan Terzic presented "Public Administration Reform Commitments" to the Peace Implementation Council. In 2004, a state level PAR Coordinator's Office (PARCO) was established, and an ambitious paper strategy to reform the country's public administration was devised under OHR's guidance. OHR subsequently pulled out of the PAR initiative after EU insistence on assuming leadership of the process. In September 2006, entity and state governments adopted a comprehensive strategy aimed at reforming public administration largely at the state level.

PAR,s Nuts and Bolts

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**¶4.** (U) The PAR strategy was intended to focus on six areas of reform: Policy-Making and Coordination Capacities, Public Finance, Human Resource Management, Administrative Procedure, Institutional Communication, and Information Technology (IT).

Among other goals, these pillars were intended to address the need to develop strategic planning, policy coordination and monitoring within and between ministries; create strong links between policymaking and budget preparation; harmonize accounting standards nation-wide; and introduce Internal Control and Audit. An action plan, included as an annex in the PAR strategy, laid out specific steps to be taken, timelines, and responsible institutions in three phases: the short-term (from 2006 to 2007); the medium term (from 2008 to 2010), and the long-term (from 2010 to 2014).

SARAJEVO 00000654 002 OF 003

Donor Assistance

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**¶6.** (U) A number of donors remain involved in PAR. The EU continues to take the lead on the initiative and has provided technical assistance on various projects, such as developing the Council of Ministers General Secretariat's capacity to formulate policy and to develop an e-government project. Other donors include the United Nations Development Program (UNDP), the UK,s Department for International Development, Sweden,s International Development Cooperation Agency, the World Bank, the Government of the Netherlands, Japan, Norway, and SIGMA (a joint EU-OECD initiative). In addition, the state government signed a July 2007 Memorandum of Understanding with the EU, Great Britain, the Netherlands, and Sweden establishing a PAR Fund with an initial allocation of 4.5 million Euros.

Steps Taken

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**¶7.** (U) Despite this assistance, in its 2007 Progress Report released November 7, the EU concluded that Bosnia had achieved only "limited progress" on PAR (Ref B). Although it highlighted a few successes, the EU report listed numerous areas for improvement. These include systemic shortcomings such as the need for Bosnia to properly implement the strategy; for the PAR Coordinator's Office to reduce its dependence on foreign assistance; for all state-level ministries and institutions to acquire the necessary staff and premises and to continue efforts to consolidate; and for officials to address "insufficient safeguards against political interference in public administration."

**¶9.** (SBU) Other observers have been even more blunt in their assessment of PAR. The local, widely respected NGO Foreign Policy Initiative (VPI) in an April 2006 report questioned whether "the strategy and its priorities correspond to the views of the political leadership in BiH or to the general public's priorities." It pointed out that PAR,s importance

is not reflected in the various governments, budgets, that there has been no debate on the strategy, and that the public has little understanding of the process. It concluded that PAR has become "just another EU integration which needs to be formally adopted rather than a set of cultural and institutional rules that require sustained political commitment over a long period to be successful." During a January 22 press conference, the NGO Center for Humane Politics presented details of a study which concluded that only five percent of the measures of the PAR action plan have been completed. This stark assessment generated little coverage in the local media and elicited virtually no reactions from senior government leaders or politicians.

¶10. (SBU) Political leaders are attempting to roll back even the meager progress made to date on public administration reform. In the past several months, the Office of the High Representative (OHR) has thwarted the attempt by Civil Affairs Minister Sredoje Novic to amend the Civil Service Law to annul 2005 amendments that establish a transparent, merit-based appointment procedure that is free from political interference. It is also tracking Foreign Minister Sven Alkalaj's proposal to exempt diplomatic personnel from the Civil Service Law, a move that would further politicize the diplomatic service, as well as plans by both entity governments to enact separate non-transparent procedures for senior civil servant appointments. OHR is also concerned about political interference in the selection of a State General Auditor and other appointments.

Comment

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¶11. (C) Given the lack of commitment to state building on the part of Bosnian political leaders of all parties, and the continued need for international intervention to shore up state level institutions, it was clear from the outset that meaningful progress on public administration reform would only be possible insofar as the EU was willing to adhere to meaningful SAA conditionality. As with police reform, the EU-led process has resulted in barely a minimum of superficial progress as sufficient to meet SAA criteria. It is therefore hard to see how the EU's public administration reform initiative will soon contribute to making Bosnia a minimally functional state. End Comment.

SARAJEVO 00000654 003 OF 003

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